

**SANDUSKY DISTRICT LIBRARY**

Sandusky, Michigan

*FINANCIAL REPORT*

December 31, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                               |   |                          |
|---|-------------------------------|---|--------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                               | Local Government Name<br><i>Sandusky District Library</i>   | County<br><i>Sanilac</i> |
| Audit Date<br><i>12/31/05</i>   | Opinion Date<br><i>2/1/06</i> | Date Accountant Report Submitted to State:<br><i>4/3/06</i> |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 | X            |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|  |                     |                    |                     |
|--|---------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><i>Anderson, Tuckey, Bernhardt, &amp; Doran, A.C.</i> |                     |                    |                     |
| Street Address<br><i>715 E. Frank Street</i>   | City<br><i>Caro</i> | State<br><i>MI</i> | ZIP<br><i>48723</i> |
| Accountant Signature<br><i>Harold Anderson</i>   |                     |                    |                     |

# **Sandusky District Library**

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## INDEPENDENT AUDITOR'S REPORT

February 1, 2006

Members of the Board  
Sandusky District Library  
Sandusky, Michigan 48471

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Sandusky District Library, Sandusky, Michigan, as of December 31, 2005 and for the year ended, as listed in the Table of Contents, which collectively comprise a portion of the Sandusky District Library's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Sandusky District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Sandusky District Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Sandusky District Library as of December 31, 2005, or changes in its financial position for the year ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Sandusky District Library, Sandusky, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## General Purpose Financial Statements

**SANDUSKY DISTRICT LIBRARY**  
**COMBINED BALANCE SHEET -**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
December 31, 2005

|   | <b>GOVERNMENTAL FUND TYPES</b> |                         |                            |
|---|--------------------------------|-------------------------|----------------------------|
|   | <b>GENERAL</b>                 | <b>DEBT<br/>SERVICE</b> | <b>CAPITAL<br/>PROJECT</b> |
| <b><u>ASSETS</u></b>                        |                                |                         |                            |
| Cash in bank                                | \$ 2,277                       |                         |                            |
| Cash - capital projects                     |                                |                         | \$ 116,244                 |
| Cash - construction                         | 23,306                         |                         |                            |
| Cash - debt retirement                      |                                | \$ 4,033                |                            |
| CD's - capital projects                     | 20,540                         |                         | 235,537                    |
| General fixed assets                        |                                |                         |                            |
| Amounts to be provided for<br>bond payments |                                |                         |                            |
| <b>TOTAL ASSETS</b>                         | <b><u>\$ 46,123</u></b>        | <b><u>\$ 4,033</u></b>  | <b><u>\$ 351,781</u></b>   |
| <b><u>LIABILITIES AND FUND EQUITY</u></b>   |                                |                         |                            |
| Accrued sick pay                            | \$ 9,604                       |                         |                            |
| Accrued payroll taxes                       | 3,743                          |                         |                            |
| Bonds Payable                               |                                |                         |                            |
| <b>TOTAL LIABILITIES</b>                    | <b><u>13,347</u></b>           | <b><u>-</u></b>         | <b><u>-</u></b>            |
| Fund Equity:                                |                                |                         |                            |
| Investment in general fixed assets          |                                |                         |                            |
| Fund balance - unappropriated               | \$ 32,776                      |                         |                            |
| Fund balance - restricted                   |                                | \$ 4,033                | \$ 351,781                 |
| <b>TOTAL FUND EQUITY</b>                    | <b><u>32,776</u></b>           | <b><u>4,033</u></b>     | <b><u>351,781</u></b>      |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>    | <b><u>\$ 46,123</u></b>        | <b><u>\$ 4,033</u></b>  | <b><u>\$ 351,781</u></b>   |

The accompanying notes are an integral part of the financial statements.

| ACCOUNT GROUPS          |                              | TOTALS<br>(MEMORANDUM ONLY) |                     |
|-------------------------|------------------------------|-----------------------------|---------------------|
| GENERAL<br>FIXED ASSETS | GENERAL<br>LONG-TERM<br>DEBT | REPORTING ENTITY            |                     |
|                         |                              | 2005                        | 2004                |
|                         |                              | \$ 2,277                    | \$ 5,246            |
|                         |                              | 116,244                     | 137,462             |
|                         |                              | 23,306                      | 46,248              |
|                         |                              | 4,033                       | 7,051               |
|                         |                              | 256,077                     | 233,142             |
| \$ 1,253,349            |                              | 1,253,349                   | 1,232,853           |
|                         | \$ 635,000                   | 635,000                     | 685,000             |
| <u>\$ 1,253,349</u>     | <u>\$ 635,000</u>            | <u>\$ 2,290,286</u>         | <u>\$ 2,347,002</u> |
|                         |                              |                             |                     |
|                         |                              | \$ 9,604                    | \$ 8,293            |
|                         |                              | 3,743                       | 1,063               |
|                         | \$ 635,000                   | 635,000                     | 685,000             |
|                         | 635,000                      | 648,347                     | 694,356             |
| \$ 1,253,349            |                              | 1,253,349                   | 1,232,853           |
|                         |                              | 32,776                      | 52,138              |
|                         |                              | 355,814                     | 367,655             |
| 1,253,349               | -                            | 1,641,939                   | 1,652,646           |
| <u>\$ 1,253,349</u>     | <u>\$ 635,000</u>            | <u>\$ 2,290,286</u>         | <u>\$ 2,347,002</u> |

**SANDUSKY DISTRICT LIBRARY**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**ALL GOVERNMENTAL FUND TYPES**  
For the Year Ended December 31, 2005

|   | <u>GENERAL</u>   | <u>DEBT<br/>SERVICE</u> | <u>CAPITAL<br/>PROJECTS</u> |
|---|------------------|-------------------------|-----------------------------|
| REVENUES:   |                  |                         |                             |
| Intergovernmental revenue   | \$ 176,411       | \$ 77,968               |                             |
| Interest  | 2,105            | 1,053                   | \$ 16,177                   |
| Fines   | 38,840           |                         |                             |
| Miscellaneous   | 11,816           |                         |                             |
|   | <u>229,172</u>   | <u>79,021</u>           | <u>16,177</u>               |
| TOTAL REVENUES  |                  |                         |                             |
| EXPENDITURES:   |                  |                         |                             |
| Salaries & employee benefits  | 133,027          |                         |                             |
| Uncollected pledges   |                  |                         |                             |
| Interest  |                  | 32,040                  |                             |
| Operational   | 138,784          |                         |                             |
| Bond payment  |                  | 50,000                  |                             |
| Miscellaneous   | 1,722            |                         |                             |
|   | <u>273,533</u>   | <u>82,040</u>           | <u>-</u>                    |
| TOTAL EXPENDITURES  |                  |                         |                             |
| EXCESS (DEFICIENCY) OF REVENUE OVER<br>(UNDER) EXPENDITURES   | (44,361)         | (3,019)                 | 16,177                      |
| OTHER FINANCING SOURCES (USES):   |                  |                         |                             |
| Operating transfers - in  | 24,999           | 1                       | -                           |
| Operating transfers - out   | -                |                         | (25,000)                    |
|   | <u>24,999</u>    | <u>1</u>                | <u>(25,000)</u>             |
| TOTAL OTHER FINANCING SOURCES (USES)  |                  |                         |                             |
| EXCESS OF REVENUES AND OTHER FINANCING<br>SOURCES OVER (UNDER) EXPENDITURES<br>AND OTHER FINANCING USES | (19,362)         | (3,018)                 | (8,823)                     |
| FUND BALANCE - January 1  | <u>52,138</u>    | <u>7,051</u>            | <u>360,604</u>              |
| FUND BALANCE - December 31  | <u>\$ 32,776</u> | <u>\$ 4,033</u>         | <u>\$ 351,781</u>           |

The accompanying notes are an integral part of the financial statements.



**TOTALS**  
**(MEMORANDUM ONLY)**

| <u>2005</u>       | <u>2004</u>       |
|-------------------|-------------------|
| \$ 254,379        | \$ 237,343        |
| 19,335            | 9,235             |
| 38,840            | 38,221            |
| 11,816            | 6,266             |
| <u>324,370</u>    | <u>291,065</u>    |
| 133,027           | 127,261           |
| -                 | -                 |
| 32,040            | 34,165            |
| 138,784           | 117,722           |
| 50,000            | 50,000            |
| 1,722             | 1,097             |
| <u>355,573</u>    | <u>330,245</u>    |
| (31,203)          | (39,180)          |
| 25,000            | 15,640            |
| <u>(25,000)</u>   | <u>(15,640)</u>   |
| -                 | -                 |
| (31,203)          | (38,577)          |
| <u>419,793</u>    | <u>458,973</u>    |
| <u>\$ 388,590</u> | <u>\$ 420,396</u> |

**SANDUSKY DISTRICT LIBRARY**  
**STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended December 31, 2005

|  | <b>GENERAL FUND</b> |                  |  |
|--|---------------------|------------------|--|
|  | <b>BUDGET</b>       | <b>ACTUAL</b>    | <b>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</b> |
| <b>REVENUES:</b>   |                     |                  |  |
| Intergovernmental revenue  | \$ 168,994          | \$ 176,411       | \$ 7,417   |
| Fines  | 37,000              | 38,840           | 1,840  |
| Interest   | -                   | 2,105            | 2,105  |
| Miscellaneous  | -                   | 11,816           | 11,816   |
| <b>TOTAL REVENUES</b>  | <b>205,994</b>      | <b>229,172</b>   | <b>23,178</b>                                    |
| <b>EXPENDITURES:</b>   |                     |                  |  |
| Salaries and employee benefits   | 130,730             | 133,027          | (2,297)  |
| Operational  | 109,550             | 138,784          | (29,234)   |
| Miscellaneous  | 1,500               | 1,722            | (222)  |
| <b>TOTAL EXPENDITURES</b>  | <b>241,780</b>      | <b>273,533</b>   | <b>(31,753)</b>                                  |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>  | <b>(35,786)</b>     | <b>(44,361)</b>  | <b>(8,575)</b>                                   |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                     |                  |  |
| Operating transfers in   | -                   | 24,999           | 24,999   |
| <b>EXCESS OF REVENUES AND OTHER FINANCING<br/>SOURCES OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <b>(35,786)</b>     | <b>(19,362)</b>  | <b>16,424</b>                                    |
| <b>FUND BALANCE - January 1</b>  | <b>52,138</b>       | <b>52,138</b>    | <b>-</b>   |
| <b>FUND BALANCE - December 31</b>  | <b>\$ 16,352</b>    | <b>\$ 32,776</b> | <b>\$ 16,424</b>                                 |

The accompanying notes are an integral part of the financial statements.

**SANDUSKY DISTRICT LIBRARY**  
**STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
For the Year Ended December 31, 2005

|  | <b>DEBT SERVICE FUND</b> |                 |  |
|--|--------------------------|-----------------|--|
|  | <b>BUDGET</b>            | <b>ACTUAL</b>   | <b>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</b> |
| <b>REVENUES:</b>   |                          |                 |  |
| Property taxes   | \$ 78,597                | \$ 77,968       | \$ (629)   |
| Interest   | -                        | 1,053           | 1,053  |
| <b>TOTAL REVENUES</b>  | <b>78,597</b>            | <b>79,021</b>   | <b>424</b>                                       |
| <b>EXPENDITURES:</b>   |                          |                 |  |
| Bond payment   | 50,000                   | 50,000          | -  |
| Interest   | 31,740                   | 32,040          | (300)  |
| <b>TOTAL EXPENDITURES</b>  | <b>81,740</b>            | <b>82,040</b>   | <b>(300)</b>                                     |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>  | <b>(3,143)</b>           | <b>(3,019)</b>  | <b>124</b>                                       |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                          |                 |  |
| Operating transfers in   |                          | 1               | 1  |
| <b>EXCESS OF REVENUES AND OTHER FINANCING<br/>SOURCES OVER (UNDER) EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <b>(3,143)</b>           | <b>(3,018)</b>  | <b>125</b>                                       |
| <b>FUND BALANCE - January 1</b>  | <b>7,051</b>             | <b>7,051</b>    | <b>-</b>   |
| <b>FUND BALANCE - December 31</b>  | <b>\$ 3,908</b>          | <b>\$ 4,033</b> | <b>\$ 125</b>                                    |

The accompanying notes are an integral part of the financial statements.

**SANDUSKY DISTRICT LIBRARY**  
**STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECT FUND**  
For the Year Ended December 31, 2005

|   | <b>CAPITAL PROJECT FUND</b> |                   |  |
|---|-----------------------------|-------------------|--|
|   | <b>BUDGET</b>               | <b>ACTUAL</b>     | <b>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</b> |
| REVENUES:   |                             |                   |  |
| Interest  | \$ -                        | \$ 16,177         | \$ 16,177  |
| TOTAL REVENUES  | <u>\$ -</u>                 | <u>16,177</u>     | <u>\$ 16,177</u>                                 |
| EXPENDITURES:   |                             |                   |  |
| Uncollected pledges   | <u>-</u>                    | <u>-</u>          | <u>-</u>   |
| TOTAL EXPENDITURES  | <u>-</u>                    | <u>-</u>          | <u>-</u>   |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES   | -                           | 16,177            | 16,177   |
| OTHER FINANCING SOURCES (USES):   |                             |                   |  |
| Operating transfers out   | <u>-</u>                    | <u>(25,000)</u>   | <u>(25,000)</u>                                  |
| EXCESS OF REVENUES AND OTHER FINANCING<br>SOURCES OVER (UNDER) EXPENDITURES<br>AND OTHER FINANCING USES | -                           | (8,823)           | (8,823)  |
| FUND BALANCE - January 1  | <u>360,604</u>              | <u>360,604</u>    | <u>-</u>   |
| FUND BALANCE - December 31  | <u>\$ 360,604</u>           | <u>\$ 351,781</u> | <u>\$ (8,823)</u>                                |

The accompanying notes are an integral part of the financial statements.

**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:**

The City of Sandusky and the Sandusky Community Schools entered into a District Library agreement on March 3, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Board of Trustees determined that the Library shall be known as the "Sandusky District Library." The District Library district shall be comprised of all that territory in the County of Sanilac, which is located in the jurisdiction limits of the Sandusky Community Schools, State of Michigan.

The District Library is governed by a board consisting of seven members, three appointed by the City, and four appointed by the school district.

On March 3, 1998, the Board of the City of Sandusky transferred ownership of all other assets, personal, tangible and intangible relating to the funds of the Library.

Funding will be provided by a Library District millage. In 1998 the voters approved a maximum 1 mill levy for operations and an amount sufficient to cover any debt. In August 2004 the board approved a .75 mill levy for operations and .45 mill levy for debt for the year 2005.

**Reporting Entity:**

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Sandusky District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

**Basis of Presentation - Fund Accounting:**

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

**Governmental Funds:**

*General Fund* - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund* - These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

*Debt Service Fund* - These funds are used to account for the servicing of general long-term debt.

*Capital Projects Fund* - These funds are used to account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**Account Groups:**

*General Fixed Asset Group* - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

*General Long-Term Debt Account Group* - is used to account for general long-term debt and certain other long-term liabilities.

**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES.**  
**(Continued):**

**"Total - (Memorandum Only)":**

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting:**

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one fiscal period availability period is used to recognize revenue for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**Accounting For Capital Expenditures:**

General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

**Budgets And Budgetary Accounting:**

Sandusky District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 3 - CHANGES IN GENERAL FIXED ASSETS:**

Fixed assets are recorded at cost or estimated fair market value (if cost data wasn't available), determined by the Library at December 31, 2005. A summary of the recorded general fixed assets follows:

|                            | <b>BALANCE<br/>JANUARY 1,<br/>2005</b> | <b>ADDITIONS</b> | <b>DELETIONS</b> | <b>BALANCE<br/>DECEMBER 31,<br/>2005</b> |
|----------------------------|--|------------------|------------------|--|
| GENERAL FIXED ASSETS:      |  |                  |                  |  |
| Furniture                  | \$ 57,755                              | \$ 2,033         |                  | \$ 59,788                                |
| New building and furniture | 1,115,580                              | 16,380           |                  | 1,131,960                                |
| Equipment                  | <u>59,518</u>                          | <u>2,083</u>     | <u>      </u>    | <u>61,601</u>                            |
| TOTAL GENERAL FIXED ASSETS | <u>\$1,232,853</u>                     | <u>\$20,496</u>  | <u>NONE</u>      | <u>\$1,253,349</u>                       |

**NOTE 4 - DEPOSITS:**

Deposits are carried at cost. Deposits of the Sandusky District Library are at banks in the name of the Sandusky District Library.

The Governmental Accounting Standards Board Statements No. 3 risk disclosures for the General Fund and Debt Service cash deposits are as follows:

|       | <b>GENERAL FUND<br/>UNRESTRICTED<br/>ASSETS</b> | <b>CAPITAL<br/>PROJECTS FUND<br/>UNRESTRICTED<br/>ASSETS</b> | <b>DEBT<br/>SERVICE</b> |
|-------|---|--|-------------------------|
| Cash  | <u>\$46,123</u>                                 | <u>\$351,781</u>   | <u>\$4,033</u>          |
| TOTAL | <u>\$46,123</u>                                 | <u>\$351,781</u>   | <u>\$4,033</u>          |

At year-end, the carrying amount of the Library's deposits was \$401,937 and the bank balance was \$405,717 of which \$199,478 was covered by federal depository insurance and \$206,239 was uninsured and uncollateralized.

**NOTE 5 - FUND BALANCE - RESTRICTED:**

The Capital Projects Fund balance of \$351,781 is restricted for the use of paying a portion of the operating costs of the new library facility in Sandusky.

The Debt Service Fund balance of \$4,033 is restricted for the use of paying for all debt related to the construction of the new library facility in Sandusky.

**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 6 - RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

**NOTE 7 - PROPERTY TAXES:**

The property tax is levied each December on the assessed valuation of the property located in the jurisdictional limits of the City of Sandusky and the Sandusky Community Schools, county of Sanilac, Michigan, except that portion of the Sandusky Community Schools presently located within the boundaries of Elk township. The Sandusky District Library receives the collected portion of the property taxes in full from the local townships and all delinquent taxes are handled through the county. The Library tax revenues are recognized in the fiscal year following the December 1 levy date. The Library levied 1.2 mill.

**NOTE 8 – BOND PROPOSALS:**

The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. On June 8, 1998, voters approved two special proposals for the District Library. The first proposal was for a library millage allowing the levy of up to 1 mill for operational; the second, was a bond proposal to borrow up to \$925,000 through general obligation unlimited tax bonds for the purpose of acquiring, construction, furnishing and equipping a new library facility and acquiring and improving the site. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988.

**NOTE 9 – LONG-TERM DEBT:**

General long-term debt of the Library consists of the 1999 Library Building and Site Bonds that had the following provisions:

Bonds payable to ACI Finance, Inc. dated June 1, 2000. Semi-annual payments of interest carry rates varying between 4.25% and 5%. Principal payments are due on an annual basis.

During the year ended December 31, 2005, the following changes occurred in liabilities reported in the general long-term debt account group. Page 16 contains a detailed amortization schedule.

| <b>BALANCE</b>                |                         |                          |  | <b>BALANCE</b>                  |
|-------------------------------|-------------------------|--------------------------|--|---------------------------------|
| <b><u>JANUARY 1, 2005</u></b> | <b><u>ADDITIONS</u></b> | <b><u>REDUCTIONS</u></b> |  | <b><u>DECEMBER 31, 2005</u></b> |
| <u>\$685,000</u>              | <u>NONE</u>             | <u>\$50,000</u>          |  | <u>\$635,000</u>                |



**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 10 - PENSION PLAN:**

**DEFINED BENEFIT PLAN:**

On December 28, 1998, the Sandusky District Library elected to place all of its eligible employees into the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the state of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the state of Michigan. The Library has no fiduciary responsibility for the plan. The plan has an effective date of January 1, 1999.

Only the full-time employees are eligible to participate in the plan. As of December 31, 2005, the Library had two employees who were covered under the plan.

The plan provides for vesting of benefits after six years of credited service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants of the plan are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 1.5% of the member's final average compensation (5-year average). The retirement allowance is reduced  $\frac{1}{2}\%$  of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The plan provides that the employer contribute amounts necessary to fund the actuarially determined benefits. The Library makes employer contributions in accordance with funding requirements determined by MERS' actuary. The MERS' actuary uses the entry age normal actuarial cost method. Benefit provisions and contribution obligations have been established by the contract.

**PENSION BENEFIT OBLIGATION:**

The Pension Benefit Obligation (PBO) which is the actuarial present value of pension benefits, adjusted for the effect of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess, on a going-concern basis, the funding status of the PERS to which contributions are made, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. For 2005, the contribution rate is 9.42% of eligible covered employees wages.

The significant actuarial assumptions that are expected to be used to compute the actuarial accrued liabilities are as follows: (1) the entry age normal actuarial cost method of valuation was used in determining age and service benefit liabilities and normal cost; (2) an 8% rate of return on investment of present and future assets was used based on estimated long-term yield considering a) the nature and mix of current and expected investments; and b) the basis used to value those assets; (3) projected salary increases are based on 5.5% raises for merit, seniority and inflation rate allowances. Benefits will not increase after retirement except that some participants will receive cost of living allowances. Unfunded accrued liabilities are amortized over a 40-year period.

The book value of net assets was not available at December 31, 2005. The information regarding market value of net assets was not available. Information about the types of securities that comprise the assets was not available at December 31, 2005. MERS had no loans outstanding to the Library at December 31, 2005.

**SANDUSKY DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 10 - PENSION PLAN, (Continued):**

**CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:**

**COMPUTED EMPLOYER COMPARATIVE SCHEDULE**

| <b><u>FISCAL<br/>YEAR<br/>DECEMBER 31,</u></b> | <b><u>CONTRIBUTION<br/>RATES AS<br/>PERCENTS OF<br/>COVERED<br/>PAYROLL</u></b> | <b><u>COVERED<br/>PAYROLL</u></b> | <b><u>DOLLAR CONTRIBUTION<br/>FOR FISCAL YEAR</u></b> |                      |
|--|---|-----------------------------------|---|----------------------|
|  |   |                                   | <b><u>COMPUTED</u></b>                                | <b><u>ACTUAL</u></b> |
| 2004   | 8.46%   | \$60,484                          | \$5,117   | \$5,087              |
| 2005   | 9.42%   | \$62,296                          | \$5,868   | \$5,868              |

**HISTORICAL TREND INFORMATION**

Historical trend information is not available.

**NOTE 11 – GASB 34:**

The Sandusky District Library chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

## Supplemental Information

**SANDUSKY DISTRICT LIBRARY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUE**  
For the Year Ended December 31, 2005

|                            | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|----------------------------|-------------------|-------------------|--|
| REVENUES:                  |                   |                   |  |
| Intergovernmental:         |                   |                   |  |
| State grants               | \$ 6,000          | \$ 9,016          | \$ 3,016   |
| Property taxes             | 162,994           | 167,395           | 4,401  |
| Total Intergovernmental    | 168,994           | 176,411           | 7,417  |
| Fines:                     |                   |                   |  |
| Penal fines                | 30,000            | 29,935            | (65)   |
| Library fines              | 7,000             | 8,905             | 1,905  |
| Total fines                | 37,000            | 38,840            | 1,840  |
| Interest & dividend income | -                 | 2,105             | 2,105  |
| Miscellaneous Revenues:    |                   |                   |  |
| Gifts                      | -                 | 3,125             | 3,125  |
| Miscellaneous income       | -                 | 7,261             | 7,261  |
| Memorials                  | -                 | 1,430             | 1,430  |
| Total Miscellaneous        | -                 | 11,816            | 11,816   |
| TOTAL REVENUES             | <u>\$ 205,994</u> | <u>\$ 229,172</u> | <u>\$ 23,178</u>                                 |

**SANDUSKY DISTRICT LIBRARY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
For the Year Ended December 31, 2005

|  | <u>BUDGET</u>     | <u>ACTUAL</u>     | <u>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|-------------------|-------------------|--|
| <b>EXPENDITURES:</b>                           |                   |                   |  |
| <b>Salaries &amp; Employee Benefits:</b>       |                   |                   |  |
| Salaries                                       | \$ 114,230        | \$ 116,989        | \$ (2,759)                                       |
| Insurance                                      | 100               | 146               | (46)   |
| Pension  | 7,200             | 5,868             | 1,332  |
| Workers Comp                                   | 1,000             | 450               | 550  |
| M.E.S.C.                                       | 1,200             | 725               | 475  |
| F.I.C.A.                                       | 7,000             | 8,849             | (1,849)  |
|  | <u>130,730</u>    | <u>133,027</u>    | <u>(2,297)</u>                                   |
| <b>Total Salaries &amp; Employees Benefits</b> |                   |                   |  |
|  | <u>130,730</u>    | <u>133,027</u>    | <u>(2,297)</u>                                   |
| <br><b>Operational:</b>                        |                   |                   |  |
| Insurance                                      | 3,800             | 4,898             | (1,098)  |
| Utilities and telephone                        | 17,250            | 18,117            | (867)  |
| Repairs and maintenance                        | 5,500             | 4,728             | 772  |
| Postage  | 1,100             | 624               | 476  |
| Travel   | 250               | 360               | (110)  |
| Education & training                           | 250               | 190               | 60   |
| Books, periodicals, & films                    | 40,400            | 46,092            | (5,692)  |
| Printing & publishing                          | 1,000             | 1,285             | (285)  |
| Dues & subscriptions                           | 3,800             | 2,863             | 937  |
| Supplies                                       | 7,500             | 7,301             | 199  |
| Cleaning                                       | 13,500            | 15,655            | (2,155)  |
| Programs                                       | 3,500             | 2,657             | 843  |
| Technology                                     | 7,000             | 7,101             | (101)  |
| Website development & maintenance              | 2,500             | 2,275             | 225  |
| Capital Outlay                                 | -                 | 21,384            | (21,384)   |
| Legal & accounting                             | 2,200             | 3,254             | (1,054)  |
|  | <u>109,550</u>    | <u>138,784</u>    | <u>(29,234)</u>                                  |
| <b>Total Operational</b>                       |                   |                   |  |
|  | <u>109,550</u>    | <u>138,784</u>    | <u>(29,234)</u>                                  |
| <br><b>Other Miscellaneous</b>                 |                   |                   |  |
|  | <u>1,500</u>      | <u>1,722</u>      | <u>(222)</u>                                     |
| <br><b>TOTAL EXPENDITURES</b>                  |                   |                   |  |
|  | <u>\$ 241,780</u> | <u>\$ 273,533</u> | <u>\$ (31,753)</u>                               |

**SANDUSKY DISTRICT LIBRARY**  
**1999 LIBRARY BUILDING AND SITE (UTGO) BONDS PAYABLE**  
December 31, 2005

| <u>DATE</u> | <u>PRINCIPAL</u>  | <u>COUPON</u> | <u>INTEREST</u>   | <u>PERIOD TOTAL</u> |
|-------------|-------------------|---------------|-------------------|---------------------|
| 05/01/06    |                   |               | 14,808            | 14,808              |
| 11/01/06    | 50,000            | 4.25          | 14,808            | 64,808              |
| 05/01/07    |                   |               | 13,745            | 13,745              |
| 11/01/07    | 50,000            | 4.30          | 13,745            | 63,745              |
| 05/01/08    |                   |               | 12,670            | 12,670              |
| 11/01/08    | 55,000            | 4.40          | 12,670            | 67,670              |
| 05/01/09    |                   |               | 11,460            | 11,460              |
| 11/01/09    | 65,000            | 4.50          | 11,460            | 76,460              |
| 05/01/10    |                   |               | 9,998             | 9,998               |
| 11/01/10    | 70,000            | 4.60          | 9,998             | 79,998              |
| 05/01/11    |                   |               | 8,388             | 8,388               |
| 11/01/11    | 75,000            | 4.70          | 8,388             | 83,388              |
| 05/01/12    |                   |               | 6,625             | 6,625               |
| 11/01/12    | 80,000            | 4.80          | 6,625             | 86,625              |
| 05/01/13    |                   |               | 4,705             | 4,705               |
| 11/01/13    | 90,000            | 4.90          | 4,705             | 94,705              |
| 05/01/14    |                   |               | 2,500             | 2,500               |
| 11/01/14    | 100,000           | 5.00          | 2,500             | 102,500             |
|             | <u>\$ 635,000</u> |               | <u>\$ 169,795</u> | <u>\$ 804,795</u>   |